

FUND FACTSHEET

APRIL 2023

at last valuation point in
April 2023 unless
otherwise stated

OCEAN
EQUITY

INVESTMENT OBJECTIVE

The Fund aims to achieve capital and income growth, and to provide a return (after fees, charges and other expenses payable out of the Fund) in excess of that of the CBOE UK All Companies Total Return Index over the long-term.

MANAGER COMMENTARY

April was a positive month for equity markets despite lingering concerns over the vulnerability of commercial banks notably in the US. As the month ended JP Morgan - the largest US bank - rescued First Republic as regulators sought to draw a line under the crisis that has engulfed the country's regional banking sector. Three of the four largest US banking failures, in the last 80 years, have taken place in the last two months. First Republic's collapse after weeks of battling to survive is the second largest in US banking history, behind Washington Mutual, which was also acquired by JP Morgan, in 2008. Whilst absorbing all the banking turmoil, which is due partly to the velocity of interest rate increases over the last 14 months, the market is still focused on the prospect of a near-term peak in this interest rate tightening cycle. For their part, central banks continue a high-wire act of bringing inflation down whilst not wanting economies to stagnate or ultimately fall into recession.

April has been busy for corporate reporting and despite the challenging economic and geopolitical backdrop this has been broadly positive. We wrote in our March factsheet about Dechra Pharmaceuticals being subject to a potential takeover approach. Whilst intuitively at this stage we are against a potential takeover - for reasons previously covered - we look forward to hearing from management on both sides regarding the long-term strategic direction of the business. Once we have this information, we will be able to make a balanced judgement as to how we feel about the company and its prospects.

It has also been suggested (albeit via market rumour) that Watches of Switzerland could be taken over. For clarity, we do not and never will invest your capital on the sole assumption that a takeover is imminent or indeed could be imminent. The key point here is that these high-quality businesses were sold off aggressively in 2022 and now predators are sensing there is an opportunity to buy high-quality assets for much less than their intrinsic value. Watches of Switzerland has an enormous 'opportunity set' ahead of it, particularly in the US which is a very fragmented and under penetrated market. The question we ask ourselves is; can the current management team grasp the opportunity available or is a potential acquirer better placed?

CUMULATIVE PERFORMANCE

	YTD	3MTHS	6MTHS	1YR	3YR	LAUNCH
Fund	7.00	2.05	10.69	-0.89	19.27	16.32
Benchmark	6.55	2.13	12.79	7.01	46.30	20.57
IA Sector	5.24	0.72	11.94	1.82	32.61	11.66
Rank in Sector	65/247	73/247	177/247	174/246	192/235	103/226
Quartile	2	2	3	3	4	2

Total Return, Bid to Bid, Tax UK Net, Sterling Terms. Source: T. Bailey Fund Services Limited/Financial Express Analytics. Past performance is not a reliable indicator of future results. The value of your investment and the income derived from it can go down as well as up and you may not get back the money you invested.

PERFORMANCE SINCE LAUNCH (%)



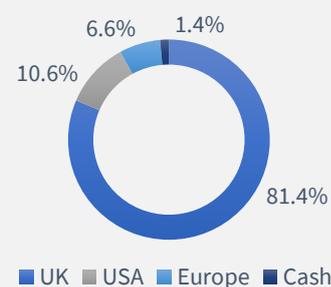
KEY DETAILS

ACC SINGLE PRICE	116.32
INC SINGLE PRICE	106.16
BENCHMARK	CBOE UK All Co's
IA SECTOR	UK All Co's
LAUNCH DATE	14 May 2018
HOLDINGS	35
PROSPECTIVE YIELD	2.2%
DIV EX DATES	1/5 & 1/11
DIV PAY DATES	30/6 & 31/12
FUND VALUE	£10.9 million

TOP 15 HOLDINGS

RELX	5.27%
DIPLOMA	5.19%
UNILEVER	4.73%
DIAGEO	4.62%
ASSTEAD	4.30%
LVMH	4.19%
MICROSOFT	4.03%
DECHRA PHARMACEUTICALS	3.72%
JD SPORTS	3.56%
DISCOVERIE	3.32%
RECKITT BENCKISER	3.20%
EXPERIAN	3.07%
FERGUSON	2.87%
WATCHES OF SWITZERLAND	2.86%
GAMES WORKSHOP	2.83%
TOTAL	57.8%

GEOGRAPHICAL BREAKDOWN



COMPANY NEWS

Microsoft updated investors with a Q3 release showing both revenue and profit exceeding expectations whilst also modestly increasing the outlook for the full year to June 2023. There is a lot of noise surrounding high profile technology businesses at present such as whether they are ex-growth or overvalued and also debates on Artificial Intelligence (AI), regulators and interest rates to name but a few. As investors it is critical we focus on the fundamentals – whilst removing emotion from our investment and thought process. It is fair to say that some technology businesses such as Microsoft advanced hugely – 2 years of digital transformation in 2 months (Satya Nadella – 29 April 2020) – during Covid-19 to meet a mission critical societal requirement. Just imagine if these businesses had not been able to meet the WFH requirement/demand, this might not have been quite so fluid and there would have been an outcry from government and consumers. As we have emerged from Covid and back to the new normal, demand for both products and services is less predictable and more volatile whilst inflation and budgetary uncertainty have meant Chief Technology Officers and CFOs are understandably delaying and/or repurposing technology requirements and budgets.

What technology spend is mission critical? All businesses need to be digitised to meet customer demand and furthermore must be secure and safe and ideally not compromised via cyber-attacks. It is probably fair to say that all businesses will be hacked/compromised at some point – even Microsoft has been hacked. However, the key considerations are how long it takes management to detect the hack, what was hacked and how management deal and communicate both internally and externally with investors. We have and continue to think Microsoft is very resilient with a strong and growing competitive advantage via a well invested technology stack – cloud, AI, cyber security, software, hardware and gaming - that will serve many organisations and individuals well for at least the next decade.

So how do we think about Microsoft in terms of price, risk, and future value? If we look forward to 2025 Microsoft trades on c.25x earnings which we think is reasonable bearing in mind what you are buying and the history of the organisation. Microsoft was founded in 1974 and that is relatively ancient for a technology company. Critically it has managed to navigate the various tech related cycles to stay relevant. The Current CEO, Satya Nadella, has really changed the way the business operates, and it now has a much more collaborative mindset. With all our businesses we need to consider if the product/service will be relevant in 10/15 years' time. Much of this is essentially unknown. However, it is important to look back and then consider if the management have the capacity and decision-making process to stay relevant with all their end markets. If the C-suite can do this, and we like to think they can, Microsoft has the potential to be much more valuable when we look out to 2030.

**MICHAEL FOSTER**

LEAD PORTFOLIO MANAGER

Michael launched the Ocean Equity Fund in May 2018. He holds the Investment Management Certificate. He has managed private investments since 2011.

**JULIAN DIEPPE**

CO-MANAGER

Julian joined the Ocean Fund at launch. He is a member of the Securities Institute and is an Investment Manager at Fiske plc. He has over 10 years of experience.

**JAMES HARRISON**

CO-MANAGER

James joined the Ocean Fund at launch. He is a Chartered Fellow of the Securities Institute and is CEO of Fiske plc. He has over 26 years of experience.

**KEVIN MORDRICK**

FUND SALES

Kevin has 35 years' experience in financial services. He was Associate Sales Director for Invesco Perpetual and Sales Director of Rensburg Fund Management.

INVESTOR PROFILE

The fund may appeal to investors who:

- Plan to hold their investment for the long-term
- Are prepared to accept the risk associated with the volatile nature of equity related investments
- Want total return through a blend of capital and income growth

FUND FEATURES

- Emphasis on total return (TR) via blend of capital and dividend growth
- Focus on quality companies with high returns on capital and strong cash flows
- High conviction, low turnover – 'buy and manage' approach
- 30-40 holdings
- Investing across the market cap universe
- Preservation of capital is paramount over the business cycle
- Predominantly UK and up to 20% Overseas from a listing perspective

HOW TO INVEST

Ocean Equity is available as an OEIC and is also suitable to include in stocks and shares ISAs and SIPPs.

You can buy shares in the fund by visiting: tbaileys.co.uk/funds/ocean-investment-funds

Or by telephoning the Ocean Equity investor Dealing Line: 0115 988 8288 (open business days between 9am and 5pm)

Or via the following platforms:

A J Bell	Interactive Investor
Aviva	Novia
Allfunds	Pershing
Aegon	7IM
Barclays	Raymond James
Charles Stanley Direct	Transact
Cofunds	Winterflood
Hargreaves Lansdown	

Currency	Price	Minimum Investment	Annual Mgmt. Charge (AMC)	*Ongoing Charge Figure (OCF) – taken from capital	ISIN	Sedol
GBP						
B Acc	116.32p	£1,000	0.75%	1.14%	GB00BDRNX587	BDRNX58
B Inc	106.16p	£1,000	0.75%	1.14%	GB00BDRNX694	BDRNX69

*please note the 1.14% OCF includes the AMC Entry and Exit charges 0%

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